

# STATUS OF DEPARTMENT OF TRANSPORTATION HEADQUARTERS BUILDING

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## HEARING

BEFORE THE

SUBCOMMITTEE ON  
TRANSPORTATION AND INFRASTRUCTURE

OF THE

COMMITTEE ON  
ENVIRONMENT AND PUBLIC WORKS  
UNITED STATES SENATE

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

ON A PROPOSAL BY THE GENERAL SERVICES ADMINISTRATION TO  
DEVELOP PROPERTY CALLED THE SOUTHEAST FEDERAL CENTER AS  
THE HEADQUARTERS BUILDING FOR THE DEPARTMENT OF TRANSPORTATION

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NOVEMBER 5, 1997

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## **STATUS OF DEPARTMENT OF TRANSPORTATION HEADQUARTERS BUILDING**

**WEDNESDAY, NOVEMBER 5, 1997**

U.S. SENATE,  
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,  
SUBCOMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10 a.m. in room 406, Senate Dirksen Building, Hon. John Warner (chairman of the subcommittee) presiding.

Present: Senators Warner, Thomas, Baucus, Moynihan, and Chafee [ex officio].

### **OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND**

Senator CHAFEE. Good morning, everyone.

This is a subcommittee hearing in which Senator Warner is the chairman of the subcommittee. He is detained at a Rules Committee gathering of some type and will be along later.

But the purpose of this hearing is to consider the General Service Administration's proposal to construct or otherwise acquire a facility to house the headquarters of the Department of Transportation. I don't know if there are any comments. Do you have any comments, Senator Baucus?

Senator BAUCUS. No, except that doing nothing is not an option. And we'll look forward to the various options. Thank you.

Senator CHAFEE. Thank you.

Senator Thomas?

Senator THOMAS. I'm just interested in hearing the information. Thank you.

Senator CHAFEE. Good. I'm glad each of you are here. This is serious business.

We'll now call Mr. Paul Chistolini from GSA and Mr. Peter Basso from Department of Transportation. Mr. Basso, I understand Mr. Fields is also here. Why don't you come to the table. All right, Mr. Chistolini, Deputy Commissioner of Public Buildings Service, General Services Administration. Please proceed.

### **STATEMENT OF PAUL CHISTOLINI, DEPUTY COMMISSIONER, PUBLIC BUILDINGS SERVICE, GENERAL SERVICES ADMINISTRATION**

Mr. CHISTOLINI. Thank you, Mr. Chairman, and members of the subcommittee.

I really do appreciate this opportunity to appear before you today regarding the acquisition of new headquarters buildings for the Department of Transportation.

Rather than restate what is in my submitted statement, there are a few key points I would like to make and then be available to answer any questions you have.

First, I believe that immediate action is needed to resolve the housing situation for this agency, the Department of Transportation. They're currently housed in a building that is 30 years old. They're not able to effectively function in their building, because the systems have reached the end of their operating life.

Second, the current lease expires in March of the year 2000. And under any deeds of acquisition, the current lease will expire before the DOT action can be completed.

So unless we move forward quickly, the Government's ability to negotiate an extension with reasonable terms will be negatively impacted.

Finally, the House had passed a resolution that I believe permits GSA to move forward with the DOT projects. That resolution gives GSA quite a bit of flexibility to acquire replacement space in the most cost-effective manner considering what resources are available at GSA.

That's all I have to say at this time, Mr. Chairman. I'll be pleased to answer any questions you have.

Senator CHAFEE. All right.

Mr. Basso?

**STATEMENT OF PETER J. BASSO, ACTING ASSISTANT ADMINISTRATOR FOR BUDGET AND PROGRAMS, U.S. DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY: GEORGE FIELDS, DIRECTOR, TRANSPORTATION ADMINISTRATIVE SERVICE CENTER, DEPARTMENT OF TRANSPORTATION**

Mr. BASSO. Thank you, Mr. Chairman. I'll be very brief.

Senator CHAFEE. You gentlemen don't have to be brief. We're not rushing to any fire here. This is serious business, and I think we want you to explore the alternatives. For instance, Mr. Chistolini has said that we've got to move quickly. Others say, look, the crucial opportunity occurred during 1996 and that wasn't taken. So why not put this off until when we come back in February, or come back in late January.

So I think these are issues the committee would be interested in hearing. We're talking some big dollars here. And it's a serious matter.

So usually we tell you move along, but not today.

Senator THOMAS. Don't discourage brevity, Mr. Chairman.

[Laughter.]

Senator CHAFEE. Well, I have to be careful here. But anyway, lay it out as you wish, Mr. Basso.

Mr. BASSO. Thank you, Mr. Chairman. I said "brief." Brief, to get to your questions so we could lay it out.

Let me just first mention that Secretary Slater asked me to convey to you and the members of the committee his personal appreciation for your promptly and quickly scheduling this hearing and for your help in this matter.

Let me just mention three critical points. Mr. Chistolini has already mentioned that the DOT building is essentially 30 years old. While there have been some improvements, they have been cosmetic and basic improvements, not substantial improvements that helped a great deal.

Absent a major renovation, the building does not meet the Department's current or planned needs. It was designed in the 1960's, so it lacks energy efficient systems, doesn't take advantage of state-of-the-art technology and precludes us in part from having the latest communications equipment in the building.

To address the capital expenses involved here, to date, we have spent over \$440 million in rental payments over this 30-year period. It's coincidental I've been there that long, Mr. Chairman, so I've seen the dollars go, and it's quite substantial. If we purchased the building, we could have purchased it three times over for that cost. So I think we've reached a point where action needs to be taken to preclude this problem for the future.

We are working closely with the General Services Administration to try to solve those problems. And one other feature I might mention in this whole effort, currently between the U.S. Coast Guard and ourselves, in two buildings, we occupy a million and a half square feet of space. Our plan, which is moving forward to satisfy this headquarters need, would reduce about 400,000 square feet by consolidating those two agencies in a building where the layouts could accommodate more personnel in a more efficient way. So I wanted to make that point, sir.

And the bottom line for all of this is——

Senator CHAFEE. That's a 25 percent reduction in square footage.

Mr. BASSO. Yes, sir. And let me just make a little further explanation of that.

One of the problems that we face in this building is, because of the way it's designed internally, the walls are movable but not without considerable construction. Substantial amounts of space are consumed in very large corridors. And we really do have plans, and Mr. Fields could elaborate later, if you'd like, on how we could accomplish that reduction.

But I thought that was an important point to draw to the committee's attention.

Let me just close by saying, we would appreciate anything the committee can do to move this matter forward at this time.

Senator CHAFEE. Mr. Fields, do you want to add anything or just be available for questions?

Mr. FIELDS. Mr. Chairman, I am available to respond to your questions.

Senator CHAFEE. My first question is, why are you here? What are you asking us to do?

Mr. CHISTOLINI. I guess in the shortest possible manner, we're asking that the committee authorize GSA to begin an acquisition plan which would lead to the replacement of the Department of Transportation headquarters. It would allow us to provide replacement space, either through an operating lease or new construction, or some combination of both. And that competition would also allow the current lessor to compete in the process.

Senator CHAFEE. So what you're asking us is to authorize you to go out and spend \$300 million or whatever it is for a new building?

Mr. CHISTOLINI. That is one alternative. As this moves forward, the Administration would have to decide if that's the way they wanted to do that in terms of the new construction, or whether we would do as authorized in the House Resolution, enter into a 20 year operating lease, during which we would have the opportunity to purchase the building.

So in effect, we would be entering into a lease for a building that would be built to Government specifications, in effect, a Government building. And we would have the right to buy out the lessor at certain points during that process.

Senator CHAFEE. Mr. Basso, what are you asking us to do?

Mr. BASSO. Mr. Chairman, we're asking that you approve a prospectus that would allow competition to occur to get an adequate Department of Transportation headquarters building. And we feel that the time is now, given the fact that our past experience has been, with only a 2-year window until this lease expires, we will find ourselves in a holdover situation and in a very poor position to negotiate from that holdover situation.

Senator CHAFEE. But aren't you asking us "to buy a pig in a poke"? Apparently you don't have a recommendation now as to whether you should build; or whether you should get somebody else to build it, and then you buy it from them. You don't want to make that decision now on, what do you call it, the Nassif Building?

Mr. BASSO. Yes, sir.

Senator CHAFEE. You want to have these options, right?

Mr. BASSO. Yes, Mr. Chairman. We think that having those options really is the best way to go, because it creates, what we really want to create is the opportunity for full and open competition. And let that competition work out what is the most cost-effective and logical way to fulfill that need. And Mr. Chistolini and I have talked about this.

Mr. CHISTOLINI. This is a very large procurement, very unusual. We feel that by engendering this type of competition we can get the most cost-effective solution. And as we get down the road, depending on the resources available, we could convert it to Federal ownership or continue in an operating lease mode.

Senator CHAFEE. Well, I don't want my questions to be interpreted that I'm not out to be helpful to you. I am.

Senator BAUCUS.

Senator BAUCUS. Thank you, Mr. Chairman.

As I understand it, DOT's been paying approximately \$30 million a year in rent, is that correct?

Mr. BASSO. Yes, it's approximately that.

Senator BAUCUS. So since 1970, that's roughly \$440 million?

Mr. BASSO. That's correct, Senator.

Senator BAUCUS. And if that is roughly three times the cost of the building maybe back then?

Mr. BASSO. Yes, sir, that's correct.

Senator BAUCUS. So you feel it is more cost effective for the Government to own a building rather than paying such high lease payments, is that correct?

Mr. BASSO. What we believe at this point is that ownership could certainly have the benefit of being more cost effective. But we don't have the answer other than in concept. I think the point we made earlier is that we need to go out on the street, exercise the options and see what the best solution is.

Senator BAUCUS. Is it true that DOT is the only Cabinet agency without a Government-owned building?

Mr. CHISTOLINI. They are the only Cabinet agency in leased space, that's correct, sir.

Senator BAUCUS. Could you tell us just about what competition there is to date for that size of leased space?

Mr. CHISTOLINI. Back at the end of—

Senator BAUCUS. That's a lot of space, what is it, 1.1 million square feet, something like that?

Mr. CHISTOLINI. Yes, Senator, it's about 1.1 million square feet.

At the end of 1996, we ran an ad in the newspaper looking for expressions of interest. Out of that, we received in double digits, in the low teens in terms of what I would call serious expressions of interest, of which we did investigation and looked at sites or combinations of sites that developers could put together.

So I'm very comfortable in telling you that within the central employment area of Washington, DC, there are enough sites that would engender a lot of competition for this procurement.

Senator BAUCUS. So there is a lot of competition for 1.1 million square feet?

Mr. CHISTOLINI. I believe so.

Senator BAUCUS. For another lease?

Mr. CHISTOLINI. Yes, sir.

Senator BAUCUS. At some other location?

Mr. CHISTOLINI. Yes, sir.

Senator BAUCUS. It's my understanding that there's not a lot of competition for that size of lease. Which puts the Government in a disadvantageous position when negotiating with a lessor. That's not true here, apparently.

Mr. CHISTOLINI. I think there's enough competition that would engender very intense competition between those with new solutions as well as the current lessor to modify, upgrade his building and also compete with us.

Senator BAUCUS. That's right. New solutions, that is, there would be more competition with more options.

Mr. CHISTOLINI. I believe so, sir.

Senator BAUCUS. Lease options as well as procurement options?

Mr. CHISTOLINI. Yes, sir.

Senator BAUCUS. That's basically what your argument is, that's what you want?

Mr. CHISTOLINI. Yes, sir.

Senator BAUCUS. In order to get the best rates to the taxpayer?

Mr. CHISTOLINI. Most cost-effective solution.

Senator BAUCUS. Most cost-effective solution. OK.

Is there some way you could design this request so that if you come back to us again to ask for further authorization, if I'm addressing the Chairman's reaction, which is a natural reaction, we're giving an awful lot of authority here and don't want to buy



a pig in a poke, and we'd like to have some control of what's going on here, some guidance.

Mr. CHISTOLINI. Well, certainly if we were to move into a process where we wound up with Government construction or Government ownership of the building, I see no problem in coming back and notifying the committee. We would certainly have to come back through the Senate Appropriations committees. But I see no problem in notifying this committee of how we're going to solve this when we get to a certain point.

Senator BAUCUS. Mr. Chairman, I would think there would be some way to keep us advised in addition to the appropriations process, so we have an idea what's happening here.

Thank you.

Senator CHAFEE. Senator Thomas.

Senator THOMAS. You are the Deputy Commissioner of the Public Buildings Service?

Mr. CHISTOLINI. That's correct, sir.

Senator THOMAS. So you deal with this all the time?

Mr. CHISTOLINI. Yes, but generally not this large a project.

Senator THOMAS. It just seems to me that you guys are kind of open for doing this all the time. I would think you'd have a little more specific idea of how you do this, what the costs are, and all those kinds of things, since that's what you do every day.

Mr. CHISTOLINI. This is unusual, and it's such a large transaction, well over a million square feet. We usually don't do a transaction like that in the Washington, DC area. Generally, the headquarters agencies, all except the Department of Transportation, are housed in Government-owned building.

Senator THOMAS. Well, don't you have anything to do with that?

Mr. CHISTOLINI. Yes. We're responsible for that. The construction of a new building is on the order of \$300 million. Our proposal, and our acquisition strategy is to get out into the marketplace and see what the different alternatives are.

Senator THOMAS. I guess that's what puzzled me. I would assume you would know that, since you deal with it all the time. That's your business.

Mr. CHISTOLINI. We have enough information, we have had a consultant on board giving us a lot of data, told us a great deal about potential sites, potential costs, how this project could be done with no scoring implications or minimal scoring implications. So we have a great deal of data, and that's gone into our acquisition strategy.

Senator THOMAS. I see. You haven't shared much strategy with us, I don't think. This thing kind of, here we are, you've been dealing with this now for quite a while and now you're saying, gosh, we have to do this immediately. Where have you been for the last two or 3 years?

Mr. CHISTOLINI. Several years ago, there were different proposals for solving this problem. They just never got this far. We now have got this finally to what I call the—

Senator THOMAS. Like the chairman, I don't think there's anyone who quarrels with the notion you have to do something different. But I think you could quarrel with the idea we're 2 days away from adjournment. And we're here.

I also agree, and apparently the House gave authority, authorization to do whatever you decide. Is that right?

Mr. CHISTOLINI. They gave us authority to move along, yes, sir.

Senator THOMAS. That's not what I'm saying. Do you have the authority, then, to make the decision and come in and ask for the dollars, appropriations?

Mr. CHISTOLINI. Yes, sir.

Senator THOMAS. Then I think maybe we're suggesting we're not maybe prepared to do that, that we need to come back and get some more authority after you've decided what it is you want to do.

Do you think there's merit in having the private sector participate? I mean, you compared the cost of rent, but there's also the cost of money to the Government over this period of time, which is worth something, there's also taxes, which are worth something, I presume. And you say there are no private renters in this whole business of headquarters. So apparently you don't think the private sector is the right way to go.

Mr. CHISTOLINI. No, I believe that the private sector will actively participate, offer us a great number of—

Senator THOMAS. What other evidence is there of that in terms of headquarters buildings?

Mr. CHISTOLINI. I wouldn't put it in terms of just headquarters buildings. I would put it in terms of buildings of this size. We know from our studies that there are a number of private sector developers out there who have sites and the wherewithal to deliver the square footage that we're looking for.

Senator THOMAS. But you haven't used any of them?

Mr. CHISTOLINI. In the past, we have used some of the people, some of these developers for different procurement.

Senator THOMAS. I just sense that you're dedicated to the idea that the Government ought to own the building.

Mr. CHISTOLINI. That is certainly the most cost-effective solution.

Senator THOMAS. Are you sure?

Mr. CHISTOLINI. Recognizing the resources it takes to make that happen, we're open to other alternatives, too.

Senator THOMAS. See, I don't necessarily agree with the observation that that's particularly the cheapest way to go, unless you can show me the money. There's a lot of merit in having the private sector involved, it seems to me, and I hope that you haven't already arranged your prejudices in such a way that they don't have a chance.

Mr. CHISTOLINI. No, I expect that they will actively participate.

Senator THOMAS. Thank you.

Senator CHAFEE. Senator Moynihan, who's spent a lot of time in this area, not only as chairman of this committee, but as chairman of the subcommittee that dealt with these matters. I guess he authorized more public buildings in this city than most anybody else in a long time.

Senator MOYNIHAN. I'm in good company.

Senator CHAFEE. Well, you were the guiding star.

Senator MOYNIHAN. I'd like to say to my friend, Senator Thomas, that when we began this project, Senator Chafee and I, 21 years ago, the issue was not how to get the private sector involved in Government building. The issue was how to get the public sector

involved. We had this problem, and it's still a budgetary fact, that if you want to build a building you have to put the entire amount of cost in the 1-year's budget, the capital budget.

We began renting. And all over Washington, we have been renting, and people have made fortunes. This particular building was done by a very elegant man named Nassif who got Edward Durrell Stone to design it. And we have paid them \$440 million, and all we've got to show is the old Irishman's rent checks. And we don't have a building.

What I think they'd like to do, if I understand Mr. Chistolini, is just look around and see if there's an alternative. The rent-to-own alternative. There's one specific, sir, if I can get my bearings, it would be right over there, the Thurgood Marshall Building, that was the third building in the complex of Union Station, post office and this building, that was anticipated in the MacMillan plan of 1901. And we built the two, Bernham built them, but we never built the third.

The Judiciary Committee, Judiciary Office of Administration and the Federal Court, has a lot of office space. There are a lot of administrative things to do. We built that one building, a private sector person built it for us. No secret about his name, no secret about his name except I can't remember it——

Mr. CHISTOLINI. Boston Properties, sir.

Senator MOYNIHAN. ——Boston Properties, the owner of the New York Daily News.

We owned the land, and so we built a beautiful building. We were moving tenants in from private owners, private leases, and we were paying Mr. Zuckerman less rent than we had been paying other owners. And in about 24 years now, we own the building. And we've tried to get a balance, Senator Chafee and I have talked, in terms of if the Federal Government owned about 55 percent of its space and rented 45 percent, it would be a fair balance.

But our rental bill is now approaching \$2 billion a year, is it not, sir?

Mr. CHISTOLINI. It's \$2.4 billion, sir.

Senator MOYNIHAN. It's now \$2.4 billion. And you never see it back.

Senator THOMAS. Well, we could go into a great philosophical thing about having the private sector involved in the public, or having the public own all the facilities. I don't want to go into that. I understand what you're saying.

Senator MOYNIHAN. I think what Mr. Chistolini is asking is that they be given the instruction to go out there and look around and think hard. But then you must come back to this committee with what you propose.

Senator CHAFEE. We get a little difference here, Mr. Chistolini.

First of all, I want to say to Senator Thomas, you've been the beneficiary of the Moynihan education process.

Senator THOMAS. And I'm grateful for that.

Senator CHAFEE. And we're conducting a test on that.

[Laughter.]

Senator THOMAS. Thank you. I took notes.

Senator CHAFEE. The first question in the test, who was the architect that designed not only the station, but if you look carefully, as Senator Moynihan said, the post office next to it?

I've learned my lesson, have I not done well?

Senator MOYNIHAN. Pretty well. Certainly.

Senator CHAFEE. And it was Mr. Bernham. I believe in, was it 1902, thereabouts?

Senator MOYNIHAN. Yes.

Senator THOMAS. I wasn't here then, sir.

[Laughter.]

Senator CHAFEE. So in any event, I think it is important to note, as Senator Moynihan said, we didn't go all the way to have us own all the buildings, all the space. It's roughly 55-45 percent. The idea is to keep the private sector involved with some competition.

But Mr. Chistolini, I think the House resolution goes further. I think they just give you carte blanche, as I read the thing. And you can go ahead and make commitments. Am I correct?

Mr. CHISTOLINI. That's correct, sir.

Senator CHAFEE. And I don't think you're going to find this committee that willing to do that, go that far.

Senator MOYNIHAN. But encourage them.

Senator CHAFEE. Oh, sure. We want you to go out. We don't want to stifle you at all. We want you to go out and do the best you can, even with the present landlords.

How are you fixed with time? I'm not suggesting we delay this at all. Do you have enough time? In other words, suppose you say to the current landlord, give us a better deal or we'll get out. Can you get out? I guess it's up in March of 2000. That's only—

Mr. CHISTOLINI. Twenty-eight months away, Senator.

Senator CHAFEE. Not very far. Although, Senator Moynihan, I believe that the Pentagon was built in less than 28 months, that entire building.

Senator MOYNIHAN. Oh, yes, sir.

Senator CHAFEE. And one of the great builders, General Brenton Somerville was the man from the Corps who built that Pentagon. He built it in, I'd say, just before the war, was it 1938?

Mr. CHISTOLINI. Started in 1941, it was completed in 1943, it took 16 months, and it's quite an accomplishment.

Senator CHAFEE. Was Somerville in charge?

Mr. CHISTOLINI. Yes, sir.

Senator BAUCUS. Like the Cooke Stadium.

Senator CHAFEE. Lot better job than the Cooke Stadium.

[Laughter.]

Mr. CHISTOLINI. Although I don't know if you could build a building in this area these days working three shifts, around the clock, for that time period. It still stands as a great accomplishment.

Senator CHAFEE. You said 16 months?

Mr. CHISTOLINI. Yes, 16 months, sir.

Senator CHAFEE. It's incredible, isn't it.

Well, back to my point here. The House goes further than we go, than I believe this committee would be willing to go. However, we don't want to restrain you. Is that a restraint on you, if you come back here?

Mr. CHISTOLINI. Well, I guess it would depend on what we would have to come back and tell you. I believe that if we had to come back and simply tell you what our solution is if we're going to go to new construction or how we're going to do that, that is not a restraint. We have to have enough authority so that the marketplace knows that we're serious about conducting this competition, that we have the maximum leverage with the current landlord.

If you look at this in a timeframe, the lease runs out in 28 months. That's about the time when we, or slightly less than that, when we would know what the solution is. We certainly want to minimize any holdover time that we're with the current lessor if he is not the winner.

But we also want to conduct a competition that allows him to participate to the fullest extent.

Senator MOYNIHAN. Mr. Chairman, if I could just make a point. As I understand it, the building has problems, ventilation, etc.

Senator BAUCUS. Sick building. It's true.

Senator CHAFEE. Well, I notice there's a vote on. And I know Senator Warner wants to come over, and he has some questions, after everybody gets a chance.

Mr. Fields, do you have anything you want to add to this?

Mr. FIELDS. I would add that we're looking for competition, and the the marketplace is going to believe that we're serious if we in fact receive the authorization necessary. We have to come back to this committee and report back. We are comfortable with that.

But we need to make certain that we are transmitting to the marketplace that we're serious in terms of competition, so that we don't find ourselves faced solely with one proposer.

Senator CHAFEE. Well, I'll guarantee you this. As far as I'm concerned, I think I can speak for—well, Senator Baucus can speak for himself. But we're not here to delay anything. If you come back, we'll act expeditiously. And if you've got a reasonable proposal, we'll go for it. We're not here to hold you up in any fashion.

Senator BAUCUS. With that I would agree.

Senator CHAFEE. Does anybody have any questions here? I'm just going to recess, because Senator Warner has some questions. He'll be right over. Anybody have any questions?

[No response.]

Senator CHAFEE. I might come back myself, likewise. So what we'll do, if you gentlemen could please wait, and we'll just take a little recess, and Senator Warner will be back over in a few minutes.

Thank you very much.

[Recess.]

Senator WARNER. The subcommittee will resume its hearing.

I apologize for my absence this morning, I was chairing another hearing. Mr. Chafee filled in for me.

Mr. Chafee and I have now just met with our witnesses, and we have resolved a technical matter. We will take it up tomorrow at the business meeting of the full committee. And at such time, I think we will be able to go forward in principle with what you're doing—building in a check-and-balance whereby final action would be reviewed by the chairman and the ranking member of this committee.

And that seems to, in principle, as we work up the papers here, meet the requirements. Am I not correct?

Mr. BASSO. Absolutely correct, Mr. Chairman.

Mr. CHISTOLINI. Yes, Mr. Chairman.

Senator WARNER. So are there further matters to take up?

[No response.]

Senator WARNER. If not, the committee will stand in recess.

[Whereupon, at 11:25 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

[Additional statements submitted for the record follow:]

STATEMENT OF PAUL CHISTOLINI, DEPUTY COMMISSIONER, PUBLIC BUILDINGS SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. Chairman, and members of the subcommittee, I am Paul Chistolini, the Deputy Commissioner of the Public Buildings Service. I want to thank you for this opportunity to discuss our efforts to provide the Department of Transportation with the best possible working environment for their headquarters staff, and our current plans for the development of the Southeast Federal Center in southeast Washington, DC.

Plans for the development of the Southeast Federal Center property go back at least to the 1970's. The latest version is the 1990 Master Plan and we are now re-evaluating it. The 1990 Plan assumed that this large site would be developed for the single purpose of housing a number of large Federal agencies. In this era of government downsizing, that assumption is no longer valid. In addition, the Department of the Navy is moving five thousand employees to the adjacent Washington Navy Yard which is expected to spur private development in the adjacent area. Accordingly, GSA is reassessing the Master Plan, including tenant mix, private sector participation, and the potential for mixed uses of the site. We are doing this re-evaluation in coordination with the Navy.

At this time, therefore, we do not intend to develop infrastructure such as roads, parks, piers, etc., the locations of which would all depend on our having more specific and achievable plans for use of the Southeast Federal Center than we currently have. However, we do have an obligation to perform environmental remediation on this property. We will be demolishing contaminated structures, halting the flow of contamination into the Anacostia River and similar activities.

Irrespective of how we develop the Southeast Federal Center, these remediation actions and their associated costs are an unavoidable obligation of Government ownership of the property. The urgency of some form of these actions has been highlighted by a lawsuit filed by the Earth Justice Legal Defense Fund of behalf of local residents. We anticipate expending approximately \$20 million in previously appropriated funds on remedial work. In the future, when a proposal for occupancy at the SEFC and alternative sites is made for a Federal agency, GSA will consider the prorated costs of infrastructure investment and additional site-specific environmental cleanup in any comparison of site proposals.

As the plans for developing the SEFC continue to evolve we will keep this Committee fully informed.

The Department of Transportation is currently housed in the Nassif Building in Washington, DC. This building is leased from a private owner and the current lease expires in March, 2000. The need for authorization of a new housing plan for DOT was first brought to the attention of Congress in 1991. At that time GSA submitted a prospectus to this committee for the authorization of a \$780 million construction project, financed in part with DOT funds, over the air rights at Union Station as a solution to DOT's long-term needs. In 1996 DOT included a funding request in its budget for a headquarters facility. These proposals were not approved by Congress, and neither was a leasing prospectus submitted to the Congress in July 1996. In September 1996, the House Public Works and Transportation Committee directed GSA to prepare a Report of Building Project Survey on the "feasibility and need to construct or otherwise acquire a facility to house the headquarters of the Department of Transportation." This report was submitted to this Committee and the House Public Works and Transportation Committee on May 29, 1997. The House Public Works Committee authorized the recommendations of this report by Committee resolution on July 23, 1997.

The essence of the recommendation in our report is that while government ownership is the optimal solution, an operating lease may be necessary as a bridge to an ownership solution. In other words, our report recognized that government owner-

ship of a headquarters building is the most cost-effective solution over the long term. However, it recognized at the same time that we may not be able to obtain the up front funding necessary to acquire a building and so it laid out a strategy for obtaining a leased building with options to convert to government ownership should funding become available.

Nonetheless, pursuant to the requirements of the September 1996 House Public Works Committee resolution, we believe it is premature to submit our proposed acquisition strategy for the DOT headquarters since various construction and leasing options are being evaluated in the preparation of the FY 1999 President's Budget.

Mr. Chairman, I would be happy to answer any questions which you and the members of this subcommittee may have.

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STATEMENT OF PETER J. BASSO, ACTING ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS, U.S. DEPARTMENT OF TRANSPORTATION

Mr. Chairman and members of the committee: We appreciate the opportunity to appear before the committee today to advance the process that will identify the possibilities for housing the Department of Transportation headquarters staff beginning in the year 2000.

Secretary Slater would like to convey his personal thanks to the committee for acting on this matter of real importance to future transportation objectives, our customers, and our headquarters staff.

As you know, the Department headquarters is now located in a 27-year-old leased structure at Seventh and D Streets, Southwest. While this building has proven serviceable since we first occupied it in 1970, its innate design problems are increasingly obvious. Although it has been retrofitted over time for such necessary safety improvements as a sprinkler system, the current system of demountable partitions limits floorspace options in the building compared with comparable modern structures and presents a real drawback for the efficient utilization of space.

Absent major renovation, the building does not meet the Department's current and planned needs. Designed in the 1960's, the facility lacks energy efficient heating and cooling systems and, as tenants, we are unable to take advantage of the state-of-the-art operating controls and advanced insulation materials that would provide significant gains in cost control and occupant comfort. Also, new communication technology cannot be satisfactorily installed and operated using current building systems.

Quite apart from the structure and its substantial problems, the current headquarters is a leased facility. It has cost the U.S. Government \$440 million in lease payments since 1970. Even factoring in the effects of inflation, taxpayers have effectively "purchased" this building three times over, and yet we have nothing to show for it. If we owned the building and determined that it no longer suited our purposes, we would at least be able to sell it at this point, recapture some of our investment, and move on.

Facing these issues, we have worked closely with the General Services Administration (GSA), which is spearheading the current effort to choose the best option for a future headquarters building. I am pleased that the GSA is here today in partnership with us to address this issue. We all agree that simply accepting the status quo is unacceptable.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or other Members of the Committee may have.